

## **Form ADV Part IIA**

**Harrington Asset Management, Inc.**

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**March 2017**

**This brochure provides information about the qualifications and business practices of Harrington Asset Management, Inc. If you have any questions about the contents of this brochure, please contact us at (614) 798-1345. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about Harrington Asset Management, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## **Item 2: Material Changes**

The material changes since our last annual amendment, dated March, 2016 are our AUM, identified in Item 4, page 3 and an addition of an Advisor in Item 4, page 4.

## **Item 3 Table of Contents**

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## Item 4: Advisory Business

Harrington Asset Management, Inc. (“we”, “our”, “us”) has been an SEC Registered Investment Adviser since 1993. Registration itself, as a Registered Investment Adviser, does not imply a certain level of skill or training. The Principal Executive Officer of Harrington Asset Management, Inc. is Thomas K. Harrington, CFP®.

We manage, as of 12/31/16, \$132,182,370 of assets on a discretionary basis, and \$0 on a non-discretionary basis. We have built a strong reputation within the Financial Services Industry through our open-architecture model and commitment to technology and service.

We are registered with the Financial Industry Regulatory Authority (“FINRA”) as an Investment Adviser engaged in the offer and sale of securities products. We are also registered as an Investment Adviser with the Securities and Exchange Commission (“SEC”), SEC File No. 801-40961, in order to offer investment advisory products and services to our advisory clients (“you”). Such services are offered through certain Financial Advisers (“FAs”) who have registered as our Investment Adviser Representatives (“Advisory Representative”).

Individuals who determine general investment advice given to clients are:

**Thomas K. Harrington, CFP®**, born 1957; BA from The Ohio State University, Columbus, American College, Bryn Mawr, PA, Current; Certified Financial Planner, College for Financial Planning, Denver, 1988-1990; Graduate, Institute for Wealth Management, Denver, CO, 1996; Financial Planner since 1990: Principal & President, Harrington Asset Management, Inc., September 1993 to present; Registered Representative, Royal Alliance Associates, November '97 to present; Mutual Service Corporation, October 1993 to November, 1997; Owner, Harrington Asset Management, February 1992 through September 1993; Registered Representative, MML Investors Services, Inc., July 1989-October 1993; Vice President Financial Planning, Moyer Financial Group July 1989-April 1992; Financial Planner, Larsen/Moyer Financial Group 1988.

**Anthony P. Campagni, CFP®**, born 1964; Associate Degree from Fullerton College, Fullerton, California 1982-1984; University of Southern California, Los Angeles, August 1984 through January 1985; B.S. Marketing, The Ohio State University, Columbus, 1985-1987; Certified Financial Planner, College for Financial Planning, Denver, CO., 1991-1994; Financial Planning, Harrington Asset Management & Harrington Asset Management, Inc., January 1993 through present; Registered Representative, Royal Alliance Associates, November 1997 to present; Registered Representative, Mutual Service Corporation, October 1993 to November 1997; Registered Representative, MML Investors Services, Inc., July 1989 through October 1993; Financial Planning Vice President, Moyer Financial Group, 1989-1993; President, Moyer Financial Asset Management, Inc., January 1992-1993.

**Rino Romeo, CPA, PFS**, born 1966; BA from The Ohio State University, Columbus, OH 1988; Certified Public Accountant, August 1991; Financial Planning, Strata Financial Group, LLC, January 1999 – Current; Registered Representative, Royal Alliance Associates, November 1999 – Current; Harrington Asset Management, Inc.,

7/98 – Current; Tax and Financial Planning, Kopco & Company, CPAs, 1991 – 2006; Accountant, Coopers and Lybrand, 1988 – 1990.

**Ronald A. Jurczynski, CPA, PFS**, born 1967; BSBA from Bowling Green State University, OH 1989; Certified Public Accountant, May, 1993; FINRA Series 7, August 2003; FINRA Series 63, October 2003; Financial Consultant/Owner, Strata Financial Group, LLC, August 2003 to present; Solicitor/Representative, Harrington Asset Management, Inc., August 2003 to present; Registered Representative, Royal Alliance Associates, August, 2003 to present; Tax Manager, Kopco & Company, January 2003 to August 2006; Client Tax Executive, International Management Group, August 1996 to October 2002; Tax Senior, Grant Thornton, LLP, September, 1989 to July 1996.

**Mitchell A. Romeo**, born 1992; BSBA from The Ohio State University, OH 2015 with a specialization in Investment Finance; FINRA Series 7, April 2016; FINRA Series 66, May 2016; Financial Advisor/Investment Research Analyst, Strata Financial Group, LLC, January 2016 to present; Solicitor/Representative, Harrington Asset Management, Inc., May 2016 to present; Registered Representative, Royal Alliance Associates, May 2016 to present; Private Equity Analyst; CityMark Capital, August 2015 to January 2016; Equity Research Associate, Cleveland Research Company, May 2015 to August 2015.

Some of applicant's Advisory Representatives have insurance licenses and offer insurance products to clients through various insurance companies available through Royal Alliance Associates and directly through insurance companies outside of the arrangement with Royal Alliance Associates. All Advisory Representatives are independent brokers and not agents for the various insurance companies through which they are licensed.

Harrington Asset Management, Inc.'s representatives offer advice on the following: Equity Securities: exchange-listed securities; securities traded over-the-counter; foreign issues; Corporate debt securities (other than commercial paper); exchange-traded funds (ETF); Commercial paper; Certificates of Deposit; Municipal securities; Investment company securities, including variable life insurance variable annuities, and mutual fund shares; United States Government securities; Options contracts on securities; Interests in partnerships investing in real estate as well as oil and gas interests.

### **VISION2020 Wealth Management Platform – Advisor Managed Portfolios**

The Wealth Management Platform – Advisor Managed Portfolios Program (“Advisor Managed Portfolios”) provides comprehensive investment management of your assets through the application of asset allocation planning software as well as the provision of execution, clearing and custodial services through Pershing LLC (“Pershing”).

Advisor Managed Portfolios provides risk tolerance assessment, efficient frontier plotting, fund profiling and performance data, and portfolio optimization and re-balancing tools. Utilizing these tools, and based on your responses to a risk tolerance questionnaire (“Questionnaire”) and discussions that we have together regarding, among other things, investment objective, risk tolerance, investment time horizon, account restrictions, and overall financial situation, we construct a portfolio of investments for you. This portfolio may consist of mutual funds, exchange traded funds, equities,

options, debt securities, variable life, variable annuity sub-accounts (certain restrictions may apply) and other investments.

Each portfolio is designed to meet your individual needs, stated goals and objectives. Additionally, you have the opportunity to place reasonable restrictions on the types of investments to be held in the portfolio.

**For further Advisor Managed Portfolio details, please see the Advisor Managed Portfolios Wrap Fee Program Brochure. We provide this brochure to you prior to or concurrent with your enrollment in Advisor Managed Portfolios. Please read it thoroughly before investing.**

#### **Vision2020 Wealth Management Platform – Model Portfolios Program**

The Wealth Management Platform – Model Portfolios Program (“Model Program”) offers clients managed asset allocation models (“Asset Allocation Models”) of mutual funds or exchange traded funds (“ETFs”) diversified across various investment styles and strategies. The Asset Allocation Models are constructed by managers (“Program Managers”) such as Russell Investment Management Company, ICON Advisers, Inc., and Morningstar Associates, LLC.

Based upon the risk tolerance of each Client, the Model Program utilizes a system that selects a specific Asset Allocation Model which may contain either 1) a combination of mutual funds or 2) a combination of exchange traded funds (“ETFs”) depending on which Program Manager is used. Together, we will select a recommended Asset Allocation Model. After the Asset Allocation Model is chosen, we, with the assistance of the Model Program sponsor, will open a Model Program account. Your assets will be invested in the specific investments contained within the recommended Asset Allocation Model. You have the opportunity to place reasonable restrictions on investments held within the Model Program account.

**For further Model Program details, including a full list of Program Managers, please see the Model Program Wrap Fee Program Brochure. We provide this brochure to you prior to or concurrent with your enrollment in the Model Program. Please read it thoroughly before investing.**

#### **Vision2020 Wealth Management Platform – SMA and UMA Program**

The Wealth Management Platform – SMA and UMA Account Program (“Wealth Managed Account Program” or “WMA”) provides you with the opportunity to invest your assets across multiple investment strategies and asset classes by implementing an asset allocation strategy. WMA is a Wrap Account program that offers these advisory services along with brokerage and custodial services for a single, annual, asset-based advisory fee.

We will present you with a WMA asset allocation model (“WMA Model”) for your approval which will consist of: 1) third party money managers (“WMA Managers”) who will manage your WMA account according to a particular equity or fixed income (“ETFs”) or any combination thereof (individually or collectively, “WMA Investments”). WMA Investments will be managed according to the selected WMA Model. WMA Investments are held within a separately managed account or a series of separately

managed accounts (collectively, “SMA Account”) or in one, unified managed account (“UMA Account”).

We will suggest a WMAP Model to you based on your responses to a risk tolerance questionnaire (“Questionnaire”) and discussion that we have together regarding among other things, investment objective, risk tolerance, investment time horizon, account restrictions, and overall financial situation. In addition, you have the opportunity to place reasonable restrictions on investments held within your WMAP account.

**For further WMAP details, please see the WMAP Wrap Fee Program Brochure. We provide this brochure to you prior to or concurrent with your enrollment in WMAP. Please read it thoroughly before investing.**

### **MANAGED ASSET PROGRAM**

The Managed Assets Program (“MAP Program”) is an investment management program that provides you with access to multiple managers who provide investment advice to you on portfolios consisting of individual stocks, bonds, exchange traded and mutual funds.

You can choose a variety of investment managers across asset classes and investment styles for a complete asset allocation strategy or seek an investment manager for a single asset class. More specifically, you will generally choose from the following three options:

- The Single Asset Category Proposal allows you to select investments in a single asset class either by asset class (e.g., US Large Cap Equity) or by investment style (e.g., US Large Cap Growth Equity).
- The Asset Allocation Proposal which allows you to allocate your investments across multiple asset classes and investment styles using multiple brokerage accounts.
- The Diversified Multi-Strategy Portfolio Proposal which allows you to allocate your investments across multiple asset classes and investment styles using a single brokerage account.

In addition, you have the opportunity to place reasonable restrictions on investments held within your MAP Program account.

**For further MAP Program details, please see the MAP Program Wrap Fee Brochure. We provide this brochure to you prior to or concurrent with your enrollment in WMAP. Please read it thoroughly before investing.**

### **RETIREMENT PLAN CONSULTING SERVICES**

We offer retirement consulting services to employee benefit plans and their fiduciaries. The services are designed to assist the plan sponsor (the “Company”) in meeting its management and fiduciary obligations to the plan under ERISA. Retirement

consulting services will consist of general or specific advice, and may include any one or all of the following:

1. Platform Provider Search and Plan Set-up;
2. Strategic Planning and Investment Policy Development/Review;
3. Plan Review;
4. Plan Fee and Cost Review;
5. Acting as Third Party Service Provider Liaison;
6. Assessment of Plan Investments and Investment Options;
7. Plan Participant Education and Communication;
8. Investment Advice to Participants;
9. Plan Benchmarking;
10. Plan Conversion to New Vendor Platform;
11. Assistance in Plan Merger;

We will determine with the Company in advance the scope of services to be performed and the fees for all requested services. Prior to engaging us to provide pension consulting services, the Company will be required to enter into a written agreement with us setting forth the terms and conditions of the engagement, describing the scope of the services to be provided, and the relevant fees and fee paying arrangements. The services outlined above that we provide are explained in more detail in the written agreement. We will also provide additional disclosures about our services and fees, where required by ERISA.

When we perform our agreed upon services, we will not be required to verify the accuracy or consistency of any information received from the Company.

We may serve in a nondiscretionary ERISA fiduciary capacity with respect to some, but not all, of the services that we provide which will be further explained in the written agreement we sign with the Company. The Company is always free to seek independent advice about the appropriateness of any recommendations made by us.

## **Item 5: Fees and Compensation**

### **VISION2020 Wealth Management Platform – Advisor Managed Portfolios Program**

We may offer Advisor Managed Portfolios as an account where no separate transaction charges apply and a single fee is paid for all advisory services and transactions (“Wrap Account”).

Additionally, we offer Advisor Managed Portfolios with separate advisory fees and transaction charges (“Non-Wrap Account”). As such, in addition to the quarterly account fee described below for advisory services, you will also pay separate per-trade transaction charges.

You will pay a quarterly account fee, in advance, based upon the market value of the assets held in your account as of the last business day of the preceding calendar quarter. Your account fees are negotiable and will be debited from your account by our custodian. You will receive a full account fee refund in the event you terminate your client agreement with us within five (5) business days of signing. If you terminate after

the first five (5) days, the account fee will be credited back to you on a pro-rata basis for the unused portion of the quarter.

Additionally ancillary fees may apply. Please see the Advisor Managed Portfolios Wrap Fee Program Brochure for further details.

Our Advisor Managed Portfolios account fee range schedule is as follows: Your specific fee will be negotiated and agreed upon before your account is established:

<b>Asset Level</b>	<b>Client Fee Range (Min – Max %)</b>
\$0.00 - \$99,999.99	0.250% - 2.500%
\$100,000.00 - \$249,999.99	0.200% - 2.500%
\$250,000.00 - \$499,999.99	0.175% - 2.250%
\$500,000.00 - \$749,999.99	0.150% - 2.000%
\$750,000.00 - \$1,249,999.99	0.125% - 1.750%
\$1,250,000.00 - \$1,999,999.99	0.100% - 1.500%
\$2,000,000.00 - \$4,999,999.99	0.075% - 1.250%
\$5,000,000.00 - \$24,999,999.99	0.050% - 1.250%
Over \$25,000,000.00	0.025% - 1.000%

#### **Vision2020 Wealth Management Platform – Model Portfolios Program**

We offer the Model Program as an account where no separate transaction charges apply and a single fee is paid for all advisory services and transactions (“Wrap Account”).

You will pay a quarterly account fee, in advance, based upon the market value of the assets held in your account as of the last business day of the preceding calendar quarter. Your account fees are negotiable and will be debited from your account by our custodian. You will receive a full account fee refund in the event that you terminate your client agreement with us within five business days of signing. If you terminate after the first five days, the account fee will be credited back to you on a pro-rata basis for the unused portion of the quarter.

Additional ancillary Model Program fees may apply. Please see the Model Program Wrap Fee Program Brochure for further details.



The following is the range of fees we charge in the Model Program – minimum to maximum. Your specific fee will be negotiated and agreed upon before your account is established:

<b>Asset Level</b>	<b>Client Fee Range (Min – Max %)</b>
\$0.00 - \$99,999.99	0.250% - 2.500%
\$100,000.00 - \$249,999.99	0.200% - 2.500%
\$250,000.00 - \$499,999.99	0.175% - 2.250%
\$500,000.00 - \$749,999.99	0.150% - 2.000%
\$750,000.00 - \$1,249,999.99	0.125% - 1.750%
\$1,250,000.00 - \$1,999,999.99	0.100% - 1.500%
\$2,000,000.00 - \$4,999,999.99	0.075% - 1.250%
\$5,000,000.00 - \$24,999,999.99	0.050% - 1.250%
Over \$25,000,000.00	0.025% - 1.000%

### **Vision2020 Wealth Management Platform – SMA and UMA Program**

We offer WMAP as an account where no separate transaction charges apply and a single fee is paid for all advisory services and transactions (“Wrap Account”).

You will pay a quarterly account fee, in advance, based upon the market value of the assets held in your account as of the last business day of the preceding calendar quarter. Your account fees are negotiable and will be debited from your account by our custodian. You will receive a full account fee refund in the event you terminate your client agreement with us within five (5) business days of signing. If you terminate after the first five (5) days, the account fee will be credited back to you on a pro-rata basis for the unused portion of the quarter.

Additional ancillary WMAP fees may apply. Please see the WMAP Wrap Fee Program Brochure for further details.

Our WMAP account fee range schedule is as follows. Your specific fee will be negotiated and agreed upon before your account is established:

<b>Asset Level</b>	<b>Client Fee Range (Min – Max %)</b>
\$0.00 - \$99,999.99	0.250% - 2.500%
\$100,000.00 - \$249,999.99	0.200% - 2.500%
\$250,000.00 - \$499,999.99	0.175% - 2.250%
\$500,000.00 - \$749,999.99	0.150% - 2.000%
\$750,000.00 - \$1,249,999.99	0.125% - 1.750%
\$1,250,000.00 - \$1,999,999.99	0.100% - 1.500%
\$2,000,000.00 - \$4,999,999.99	0.075% - 1.250%
\$5,000,000.00 - \$24,999,999.99	0.050% - 1.250%
Over \$25,000,000.00	0.025% - 1.000%

## **MANAGED ASSETS PROGRAM**

We offer the MAP Program as an account where no separate transaction charges apply and a single fee is paid for all advisory services and transactions ("Wrap Account").

You will pay a quarterly account fee, in advance, based upon the market value of the assets held in your account as of the last business day of the preceding calendar quarter. Your account fees are negotiable and will be debited from your account by our custodian. You will receive a full account fee refund in the event you terminate your client agreement with us within five (5) business days of signing. If you terminate after the first five (5) days, the account fee will be credited back to you on a pro-rata basis for the unused portion of the quarter.

Additional ancillary MAP fees may apply. Please see the MAP Wrap Fee Program Brochure for further details.

Our MAP account fee range schedule is as follows. Your specific fee will be negotiated and agreed upon before your account is established:

<b>Asset Level</b>	<b>Client Fee Range (Min – Max %)</b>
\$0.00 - \$99,999.99	0.250% - 2.500%
\$100,000.00 - \$249,999.99	0.200% - 2.500%
\$250,000.00 - \$499,999.99	0.175% - 2.250%
\$500,000.00 - \$749,999.99	0.150% - 2.000%
\$750,000.00 - \$1,249,999.99	0.125% - 1.750%
\$1,250,000.00 - \$1,999,999.99	0.100% - 1.500%
\$2,000,000.00 - \$4,999,999.99	0.075% - 1.250%
\$5,000,000.00 - \$24,999,999.99	0.050% - 1.250%
Over \$25,000,000.00	0.025% - 1.000%

## **RASA 044 ACCOUNTS**

We offer RASA 044 Accounts ("RASA") as a non-commissionable advisory account where we can purchase load waived and no-load mutual funds and other equity, debt and option securities for you. Our Advisory Representative will obtain the relevant financial data from you and assist you in the selection of suitable investments. We will base our investment strategy on your specific goals and situation. In addition, you have the opportunity to place reasonable restrictions on investments held within your RASA account.

RASA accounts are accounts billed with separate advisory fees and transaction charges ("Non-Wrap Account"). As such, in addition to the quarterly account fee described below, you will also pay separate per-trade transaction charges. Please see your client agreement for a complete list of transaction charges.

You will pay a quarterly account fee in arrears, based upon the market value of the assets held in your account as of the last business day of the preceding calendar quarter. Your account fees are negotiable and will be debited from your account by our

custodian. You will receive a full account fee refund in the event that you terminate your client agreement with us within five business days of signing.

Our RASA fee schedule is as follows:

***Investment Management Fee***

**(per annum)**

\$ 100,000 to \$500,000 of Investment Assets	1.50%
\$ 500,001 to \$1,000,000 of Investment Assets	1.25%
\$1,000,001 to \$2,500,000 of Investment Assets	1.00%
\$2,500,001 to \$5,000,000 of Investment Assets	.75%
\$5,000,001 & Up of Investment Assets	.50%

In certain instances, depending upon the clients' needs and the services to be performed by the Advisory Representative, a contract may be entered into with a fee different from the fee schedule set forth above. This fee would be based upon individual negotiations with the particular client. Additionally, due to previously entered-into contracts, various changes may occur in fee schedules. Advisor reserves the right to amend or renegotiate these fees from time to time.

**FINANCIAL PLANNING**

Financial plans can be generated by Advisory Representatives for clients on an ad hoc basis. Advisory Representatives are available to advise clients on specialized financial needs without preparing a full financial plan (i.e., college funding, retirement planning, etc.). When providing financial planning advice for clients, Advisory Representatives may give advice and recommendations in the areas of budgeting and recordkeeping, insurance planning, tax planning, retirement planning, college education funding, debt management, investment planning, estate planning and other areas related to the individual's financial affairs as agreed upon in the initial agreement. HAM, Inc., financial planning clients have the right to terminate services without penalty, upon written notice prior to commencement of plan documentation preparation. Only that portion of work actually completed at the time of receipt of written termination notice will be billed to the client.

Investment advisory service is available for the development of an investment portfolio based upon the client investment parameters. Advisory Representative(s) can develop an investment portfolio and make recommendations as to portfolio holdings. Active management will not occur with this arrangement and additional work on the portfolio will incur additional charges to the client as future work is performed on the account.

Other financial planning services that we may provide include ongoing financial counseling, account review, securities research and other advisory services related to investments.

Financial planning advice to clients will be given for an hourly fee. The Advisory Representative will generate reports needed to communicate to the client their current position and the financial planning recommendations.

Hourly fees can be negotiated ranging between \$125 and \$200 per hour. Client will be billed at the completion of the plan, and will write a check payable to Harrington Asset Management, Inc. in payment thereof.

When you receive financial planning services you may also purchase securities or insurance products offered through Royal Alliance pursuant to the plan or consultation. Members of our Firm may receive commissions as Registered Representatives of Royal Alliance or insurance agents in connection with such transactions. Thus, we may have a conflict of interest when providing financial planning services to you as there may be an incentive for us to recommend specific courses of action through our financial planning services that may lead to members of our Firm receiving additional compensation.

Please be aware that you are under no obligation to purchase products or services recommended by us or members of our Firm in connection with our providing you with financial planning services, or any advisory service that we offer.

#### **Additional Fees and Expenses:**

Mutual fund investments in the programs that we offer are no-load or load at NAV. Your mutual fund investments may be subject to early redemption fees, and mutual fund management fees as well as other mutual fund expenses. These fees are in addition to the fees and expenses referenced above. Please review the mutual fund prospectus for full details.

Variable annuity companies generally impose internal fees and expenses on your variable annuity investment, including contingent deferred sales charges and early redemption fees. In addition, variable annuity companies generally impose mortality charges of approximately 1.25% annually. These fees are in addition to the fees and expenses referenced above. Complete details of such internal expenses are specified and disclosed in each variable annuity company's prospectus. Please review the Variable Annuity prospectus for full details.

In addition to the per-trade transaction charges referenced above, you will also be subject to per-trade confirmation fees as disclosed on your trade confirmation (typically \$4.00 per trade) and an additional fee of \$1.50 for each trade confirmation that you do not elect to receive electronically. You may also be subject to an additional, per-trade transaction charge on the selling of certain securities as disclosed on your trade confirmation (generally less than \$1.00 on trades of \$50,000 or less). These fees are not shared with us but are transaction charges paid to Royal Alliance and our custodian. Please see Item 10 which explains our relationship with Royal Alliance.

There are additional fees relating to IRA and Qualified Retirement Plan accounts that you may incur such as maintenance and termination fees. You will find these fees disclosed in the account application paperwork provided to you associated with these accounts.

You will be charged an additional fee of \$1.50 for each trade confirmation that you do not elect to receive electronically. You may also be subject to an additional, per-trade transaction charge on the selling of certain securities as disclosed on your trade confirmation (generally less than \$1.00 on trades of \$50,000 or less). These fees are

not shared with us but are transaction charges paid to Royal Alliance and our custodian. Please see Item 10 which explains our relationship with Royal Alliance.

In addition to providing advisory services, our Advisory Representatives may also sell you securities products and other investment and insurance products in their capacity as registered representatives of Royal Alliance and as licensed insurance agents. We will receive compensation in connection with this activity and the amount of compensation will depend on the type of product purchased. We may have a greater financial incentive to sell certain products as opposed to others. While our security sales are reviewed for suitability by an appointed supervisor, you should be aware of the incentives we have to sell certain securities products and are encouraged to ask us about any conflict presented.

Please be aware that you are under no obligation to purchase products or services recommended by us or members of our Firm in connection with providing you with any advisory service that we offer.

### **RETIREMENT PLAN CONSULTING SERVICES**

We will bill the Company for Retirement Plan Consulting Services at either a pre-determined hourly rate *or* a fixed fee. The exact fee is negotiated in advance of services rendered and is disclosed in the executed written agreement that we sign with the Company. Fees will be billed quarterly in arrears. In special circumstances, other fee paying arrangements may be negotiated.

The written agreement may be terminated by us or the Company at any time upon 60 days' prior written notice. Upon termination, we will deliver a final billing statement for unbilled work performed prior to termination, and the Company will have a period of 30 days within which to deliver payment.

Our Retirement Plan Consulting Services fee schedule is as follows:

\$150.00 to \$200.00 per hour  
Minimum fee: \$2,500.00

### **Item 6: Performance-Based Fees and Side-By-Side Management**

Not applicable. We do not charge performance-based fees.

## **Item 7: Types of Clients**

The following describes the makeup of our clients:

- 51 – 75% are individuals (other than high net worth individuals);
- 26 – 50% are high net worth individuals;
- Up to 10% are pension and profit sharing plans (other than plan participants);
- Up to 10% are charitable organizations;
- 11 – 25% are corporations or other businesses not listed above.

The category “individuals” includes trusts, estates, 401(k) plans and IRAs of individuals and their family members, but does not include businesses organized as sole proprietorships.

## **Item 8: Methods of Analysis, Investment Strategies and Risk of Loss**

### **Methods of Analysis:**

When analyzing investments that may be right for you, we use both Fundamental and Technical Analysis. Fundamental analysis is security analysis grounded in basic factors such as company earnings, balance sheet variables and management quality which are used to predict the future value of an investment. Information such as interest rates, GNP, inflation and unemployment may be used to predict the direction of the economy and therefore the stock market. Technical analysis is the practice of using statistics to determine trends in security prices and make or recommend investment decisions based on those trends. Technical analysis focuses on matters such as trade volume, demand, and volatility to help determine the market forces at work on a certain security or on the securities market as a whole.

Stock market, business financial and economic information is obtained from the Internet and through a variety of Internet-based resources, including but not limited to Morningstar Principia Pro Plus for both Mutual Funds and Stocks. Additionally, other sources include financial newspapers and magazines, research materials prepared by others, corporate rating services, annual reports, prospectuses, filings with the Securities and Exchange Commission and company press releases.

### **Investment Strategies:**

Subject to suitability requirements, we generally advise the long-term purchase of mutual funds to our clients. Long-term purchases are typically defined as the purchase of securities held for at least a year.

The investment strategies used by HAM, Inc. to implement any investment advice given to you may also include short term purchases (securities sold within a year), trading (securities sold within 30 days), and margin transactions. The method of asset allocation that HAM, Inc. employs includes the following approaches:

Strategic Asset Allocation – uses historical data in an attempt to understand how the asset has performed and is likely to perform over long periods of time. The goal is

not to “beat” the market, but to establish a long-term investment strategy using a core mix of assets.

Tactical Asset Allocation – uses periodic assumptions regarding the performance and characteristics of the assets and/or the economy. This approach attempts to improve portfolio performance by making “mid-course” changes in the long-term strategy based on near-term expectations.

#### Methods of Analysis Risks:

Fundamental Analysis – When using Fundamental Analysis, we generally rely on, among other things, company earnings, balance sheet variables and management quality which are used to predict the future value of an investment. Data we review is generally considered reliable but we cannot guarantee, nor have we verified, its accuracy. In addition, the data that we review is sometimes subjective in nature and open to interpretation. Even if our data and interpretation of the data is correct, there may be other factors that determine the value of securities other than those considered in Fundamental Analysis.

Technical Analysis – When using Technical analysis we review statistics to determine trends in security prices and make our investment decisions based on those trends. This analysis may only be able to predict how an investment will perform short-term. In addition, this analysis does not take into account, the more fundamental properties of what an investment may be worth such as company performance and balance sheet variables which may play a part in determining the value of an investment.

#### Investment Strategy Risks:

Long-term purchases – Using a long-term purchase strategy generally assumes the Financial Markets will go up in the long-term which may not be the case. There is also the risk that the segment of the market that you are invested in or perhaps just your particular investment will go down over time even if the overall Financial Markets advance. Purchasing investments long-term may create an opportunity cost - “locking-up” assets that may be better utilized in the short-term in other investments.

Short-term purchases – Using a short-term purchase strategy generally assumes that we can predict how Financial Markets will perform in the short-term which may be very difficult. There are many factors that can affect Financial Market performance in the short-term (such as short-term interest rate changes, cyclical earnings announcements, etc.) but may have a smaller impact over longer periods of times.

Short sales – A short sales strategy is profitable when the price of the security that is “sold short” declines. If you purchase a security, the maximum amount of money you can lose is the value of the investment (the price goes to \$0). If you “sell short” the same security, and the price of the security increases, your potential for loss is unlimited.

Margin – Using margin involves the use of leverage by borrowing money to purchase securities. If the price of the purchased security decreases, you risk losing

significantly more money than your initial investment. Further risks are disclosed in the margin agreement you will sign before we engage your account in this activity.

#### Security Type Risks:

Stocks – Investing in stocks involves the assumption of risk including:

- Financial Risk: which is the risk that the companies we recommend to you may perform poorly which will affect the price of your investment.
- Market Risk: which is the risk that the Stock Market will decline, decreasing the value of the securities we recommend to you with it.
- Inflation Risk: which is the risk that the rate of price increases in the economy deteriorates the returns associated with the stock.
- Political and Governmental Risk, which is the risk that the value of your investment may change with the introduction of new laws or regulations.

Bonds – Investing in bonds involves the assumption of risk including:

- Interest Rate Risk: which is the risk that the value of the bond investments we recommend to you will fall if interest rates rise.
- Call Risk, which is the risk that your bond investment will be called or purchased back from you when conditions are favorable to the bond issuer and unfavorable to you.
- Default Risk, which is the risk that the bond issuer may be unable to pay you the contractual interest or principal on the bond in a timely manner or at all.
- Inflation Risk: which is the risk that the rate of price increases in the economy deteriorates the returns associated with the bond.

Mutual Funds – Investing in mutual funds involves the assumption of risk including:

- Manager Risk: which is the risk that an actively managed mutual fund's investment adviser will fail to execute the fund's stated investment strategy.
- Market Risk: which is the risk that the Stock Market will decline, decreasing the value of the securities contained within the mutual funds we recommend to you.
- Industry Risk, which is the risk that a group of stocks in a single industry will decline in price due to adverse developments in that industry, decreasing the value of mutual funds that are significantly invested in that industry.
- Inflation Risk, which is the risk that the rate of price increases in the economy deteriorates the returns associated with the mutual fund.

#### **Associated Risks:**

When using Fundamental Analysis, we generally rely on, among other things, company earnings, balance sheet variables and management quality which are used to predict the future value of an investment. Data we review is generally considered reliable but we cannot guarantee nor have we verified its accuracy. In addition, the data



that we review is sometimes subjective in nature and open to interpretation. Even if our data and interpretation of the data is correct, there may be other factors that determine the value of securities other than those considered in Fundamental Analysis.

When using Technical Analysis we review statistics to determine trends in security prices and make our investment decisions based on those trends. This analysis may only be able to predict how an investment will perform short-term. In addition, this analysis does not take into account, the more fundamental properties of what an investment may be worth such as company performance and balance sheet variables which may play a part in determining the value of an investment.

When pursuing our long-term purchases strategy, we are assuming the Financial Markets will go up in the long-term which may not be the case. There is also the risk that the segment of the market that you are invested in or perhaps just your particular investment will go down over time even if the overall Financial Markets advance. In addition, purchasing investments long-term may create an opportunity cost - "locking-up" assets that may be better utilized in the short-term in other investments.

We primarily recommend mutual funds to you. Investing in mutual funds involves the assumption of risk including:

- Manager Risk: which is the risk that an actively managed mutual fund's investment adviser will fail to execute the fund's stated investment strategy.
- Market Risk: which is the risk that the Stock Market will decline, decreasing the value of the securities contained within the mutual funds we recommend to you.
- Industry Risk: which is the risk that a group of stocks in a single industry will decline in price due to adverse developments in that industry, decreasing the value of mutual funds that are significantly invested in that industry.
- Inflation Risk: which is the risk that the rate of price increases in the economy deteriorates the returns associated with the mutual fund.

Listed above are some of the primary risks associated with the way we recommend investments to you, please do not hesitate to contact us to discuss these risks and others in more detail.

***Investing in securities involves risk of loss that you should be prepared to bear.***

## **Item 9: Disciplinary Information**

There have been no disciplinary actions ever sanctioned against any of Harrington Asset Management, Inc.'s registered investment advisers, nor against any of its employees.

## **Item 10: Other Financial Industry Activities and Affiliations**

All representatives of our firm that provide advice to you (“Advisory Representatives”) are associated with Royal Alliance Associates, Inc. (“Royal Alliance”) as Registered Representatives. Royal Alliance is a diversified financial services company registered with the Financial Industry Regulatory Authority (“FINRA”) as a broker-dealer engaged in the offer and sale of securities products. Outside the scope of their investment advisory activities, our Advisory Representatives may recommend the purchase of securities offered by Royal Alliance. If you purchase these products through them, they will receive normal commissions which may be in addition to customary advisory fees. As such, Advisory Representatives may have an incentive to sell you commissionable products in addition to providing you with advisory services, which could create a conflict of interest. In this capacity, our representatives are free to select the products they use that are available as approved by Royal Alliance Associates, Inc. The compensation can vary by company and by product.

While our security sales are reviewed for suitability by an appointed supervisor, you should be aware of the incentives we have to sell certain securities products and are encouraged to ask us about any conflict presented.

All representatives of our firm are, or may become, licensed as independent agents through multiple insurance companies, and will perform on your behalf as brokers to obtain necessary and appropriate insurance products to best meet your needs.

Please be aware that you are under no obligation to purchase products or services recommended by us or members of our Firm in connection with providing you with any advisory service that we offer.

## **Item 11: Code of Ethics**

We have adopted a Code of Ethics (the “Code”) to address securities-related conduct. The Code focuses primarily on fiduciary duty, personal securities transactions, insider trading, gifts, and conflicts of interest. The Code includes our policies and procedures developed to protect your interests in relation to the following topics:

- The duty at all times to place your interests first;
- The requirement that all personal securities transactions be conducted in such a manner as to be consistent with the Code and to avoid any actual or potential conflict of interest or any abuse of an employee’s position of trust and responsibility;
- The fiduciary principle that information concerning the identity of your security holdings and financial circumstances are confidential; and
- The principle that independence in the investment decision-making process is paramount.

We will provide a copy of the Code to you or any prospective client upon request.

We may recommend securities to you or buy or sell securities for your account at or about the same time we may buy or sell the same securities in our own account. As such, there may be instances where our interests may appear to be placed ahead of yours. To mitigate this conflict, our firm policy prohibits us from receiving a better price on our order, if you and we invest in the same security on the same side of the market on the same day.

## **Item 12: Brokerage Practices**

As described in Item 10, our Advisory Representatives are also Registered Representatives of Royal Alliance, a FINRA registered broker-dealer. In order to meet its FINRA supervisory obligations, Royal Alliance requires that all investment advisory activities that we conduct be processed through Royal Alliance's clearing relationships with Pershing LLC ("Pershing"). As a result, we do not have the discretion to choose the broker-dealer or commission rates to be paid. However, we do believe that Pershing's blend of execution services, commission and transaction costs as well as professionalism will allow us to seek best execution and competitive prices.

We may aggregate your orders with those of other clients in a bunched trade or trades when securities are purchased or sold. For each account that we include in the bunched trade, we must reasonably believe that the bunched order is consistent with our duty to seek best execution and may benefit you and each client participating in the aggregated order. The average price per share of each bunched trade is allocated to each account that participates in the bunched trade. Accounts that participate in the same bunched trade are charged transaction costs, if applicable, in accordance with their advisory contracts.

If a bunched order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated in a manner that is consistent with the initial pre-allocation. Partial fills will be allocated in a way that does not consistently advantage or disadvantage particular client accounts and are generally filled pro-rata among participating accounts.

## **Item 13: Review of Accounts**

Investment advisory representatives of Harrington Asset Management, Inc. will review the performance of all client investment accounts no less than annually, but could be more frequently. The frequency of review is determined by the complexity of the account(s), market activity, and client preference. Investment recommendations are made in light of the clients' identified needs, objectives, and established investment policy as well as the current economic and market conditions.

## Item 14: Client Referrals and Other Compensation

HAM, Inc. has solicitation agreements with accounting firms for the referral of clients to HAM, Inc.'s Advisory Services, as follows: All solicitors' agreements are in compliance with Rule 206(4)-2 of the Investment Advisers Act of 1940. In addition, all applicable federal and state laws will be observed. All clients procured by solicitors will be given full written disclosure describing the terms and fee arrangements between the adviser and the solicitor. The amount of the compensation will be equal to a percentage of the gross fee charged before any offsets. The fee will be paid quarterly and will continue while the outside solicitation agreement remains in effect. The following organizations have agreements to receive compensation for client referrals:

- |   |  |
|---|--|
| 1. Tate & Associates, Inc.<br>Mark F. Tate, CPA, MBA, CFP<br>4615 W. Streetsboro Rd., Ste. 203<br>Richfield, OH 44284 | 7. Access Integration, Inc.<br>James L. Bumbledare<br>4419 Prairie Pine Court<br>Hilliard, OH 43026    |
| 2. Westergard, Inc. / Mike Backus<br>3593 Medina Rd., #272<br>Medina, OH 44256-8182                                   | 8. Ronald E. Kopco, CPA<br>5336 Meadow Lane Court<br>Elyria, OH 44035-1469                             |
| 3. General Business Services<br>Steve Barnard<br>3001 Bethel Road, Suite 108<br>Columbus, OH 43220                    | 9. Evangeline H. Hollerich<br>5855 Blendon Place Drive<br>Gahanna, OH 43230                            |
| 4. Alan Januzzi, CPA<br>7710 Rice Road<br>Amherst, OH 44001   | 10. One Source Advisors, Inc.<br>555 Metro Place North<br>Suite 330<br>Dublin, OH 43017                |
| 5. Lorenzo Gentile<br>P.O.,Box 8<br>Avon, OH 44011  | 11. Newcomb & Company LLC<br>Douglas O. Newcomb<br>24651 Center Ridge Road, #190<br>Westlake, OH 44145 |
| 6. Randall K. Grace, CPA<br>7100 N. High Street, Ste. 201<br>Worthington, OH 43085                                    | .  |

As discussed previously, all our Advisory Representatives are Registered Representatives of Royal Alliance. This arrangement requires us to offer you advisory services and programs sponsored or approved by Royal Alliance. Royal Alliance sets limits on how much we can charge you for these advisory services. Some advisory programs have higher fee limits than others. As such, there may be an incentive for us to recommend to you advisory services or programs with higher limits. This could create a conflict of interest by giving the Advisory Representative incentive to use programs and services that may be cheaper for us to use.

In addition, Royal Alliance offers our Advisory Representatives educational, training and incentive programs for those Advisory Representatives that meet certain sales production goals. This could create a conflict of interest by providing us with incentives to manage your account in ways to assist us in meeting these production goals.

When we offer you a Wrap Account, the fee for transactions executed in your account are included in your quarterly account fee. However, Royal Alliance will still assess the transaction charges to us. This may influence us to charge you a higher quarterly account fee than we would otherwise charge you, in an effort to recoup from you the transaction charges Royal Alliance charges us. We may also have incentive to trade your account less often to lessen our transaction fees or to trade your account with certain securities where Royal Alliance reduces or eliminates the transaction charges (such as the Focus Elite and FundVest Programs mentioned below) to us.

Our Advisory Representatives participate in the Focus Elite and FundVest Programs, provided by Royal Alliance. In these programs, transaction charges for purchasing securities that participate in these programs may be reduced or waived. This may provide us with incentive to invest your account in these securities over securities that do not participate in these programs to reduce our transaction costs.

While our security sales are reviewed for suitability by an appointed supervisor, you should be aware of the incentives we have to sell certain securities products and are encouraged to ask us about any conflict presented.

We may pay referral fees to unaffiliated third parties (Solicitors) equal to a percentage of the advisory fees collected from clients that Solicitors referred to our Advisory Representatives. Specific terms and obligations of the Solicitor and our Advisory Representatives are outlined in a written solicitation agreement.

### **Item 15: Custody**

Not applicable. We do not maintain custody of your assets. Your account assets are maintained at Pershing, LLC.

### **Item 16: Investment Discretion**

We may manage your accounts on a discretionary basis upon obtaining your consent. Your consent is typically granted and evidenced in the client agreement that you sign with us. We define discretion as: the ability to trade your account, without obtaining your prior consent, the securities and amount of securities to be bought or sold, and the timing of the purchase or sale. It does not extend to the withdrawal or transfer of your account funds.

### **Item 17: Voting Client Securities**

We do not have the authority to vote proxies solicited by, or with respect to, the issuers of securities held in your account. Typically, proxy materials will be forwarded to you by our custodian. We will forward proxy materials that we may receive to you. Please contact us at any time with questions you may have regarding proxy solicitations.

### **Item 18: Financial Information**

Not applicable. Harrington Asset Management, Inc. does not have custody of client account assets at any time for any reason. Client account assets are maintained at Pershing, LLC.

### **Item 19: Requirements for State-Registered Advisers**

Not Applicable. We are an SEC Registered Investment Adviser.